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MCC FOR HEWKO, HARRINGTON, AND GAULL

E.O. 12958: DECL: 02/13/2011

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SUBJECT: PRESIDENT GUEBUZA PROMISES TO RESOLVE MCC PROJECT
COORDINATOR ISSUE

REF: 2/9 E-MAIL HARRINGTON - LA LIME WITH TALKING

POINTS ON MCC

Classified By: Ambassador Helen La Lime, for E.O.12958, Reason 1.4(d)

11. (SBU) The Ambassador, accompanied by MCC Country Director Stephen Gaull, met with President Guebuza February 9 to express concern over the GRM's progress towards developing and implementing the Mozambican compact and to highlight the need for the GOM to quickly appoint a Project Coordinator. In opening the discussion of the MCC process in Mozambique, the Ambassador traced the development of the program to date, highlighting the President's engagement last summer in appointing a core team of four to work with the MCC in the compact design phase. She also noted the \$6 million in funding MCC had made available for use in procuring consultants to assist the GOM with designing the program in the priority areas of business development, land tenure, water and sanitation and the export processing zone for Nacala. In addition to developing projects for a program that is complex and broad in its scope, she stressed that the GOM needed to be ready to engage with the MCC team on policy reform issues that are necessary to achieving success for the Mozambique program's effectiveness. These include such key issues as the transactionability and collateralizability of land, the labor law, and other improvements to the investment/business climate. She also stressed the importance of the success of the Nacala port/rail concession to the overall potential for the northern provinces of Mozambique and the export processing zone that would be developed under the MCC program.

12. (C) The Ambassador then noted that the four-person core team the President had designated had worked well with the MCC, and that so far, all deadlines for grant/implementation agreements for the \$6M had been met. She stressed, however, that the team was suffering now because of lack of progress in appointing a Project Coordinator, a position for which MCC had helped the GRM identify funding sources at the request of Minister Cuereneia, and for which possible candidates had already been identified. She cautioned that unless a Project Coordinator were put in place immediately, the compact could be delayed. She said that MCC was concerned that if the GRM was having such trouble during the design phase, this did not augur well for the implementation phase.

13. (C) President Guebuza thanked the Ambassador for her report and stressed how much he values the U.S. engagement in Mozambique and the partnership with the MCC. He promised to resolve the issue of the Project Coordinator and asked a number of questions to better understand where the bureaucracy had been remiss in not acting. Clearly understanding that policy reforms are part and parcel of the

private sector program, President Guebuza sought clarification on what MCC expected as far as increased transactionability and collateralizability of land. While he appeared reassured when he heard that MCC was not seeking land policy reforms that would require a change in the constitution, he also fully grasped the need for more dynamic senior level engagement from the Ministry of Planning and Development, especially on policy matters, if progress is to be made and program objectives are to be achieved. The President also was attentive to the points made on the Nacala corridor and to the link between the success of the proposed MCC investment in the north and the success of the privatized Nacala rail/port concession.

14. (C) Although this exchange took place in the context of a discussion of other areas of US-Mozambican cooperation, the MCC portion of the conversation was the focus of the morning meeting. In addition to promising action, the President asked that the Ambassador continue to keep him informed of any issues affecting progress on the compact and established a contact point at the presidency for further follow-up. Embassy intends to translate referenced talking points into Portuguese and to deliver them to the Presidency this week.
La Lime